Washington Examiner
PRESENTS

Biden's unserious budget plan dodges our most pressing concerns

Romina Boccia and Adam N. Michel

March 14, 2023

President Joe Biden's budget hit Washington with the sound of a burlap sack full of wet potatoes dropping on concrete. In substance, this executive budget proposal is more an electoral signaling document than a governance plan. It's filled with tax increases on the so-called wealthy and corporations and otherwise lacks serious deficit reduction proposals to address the unsustainable growth in spending.

Delivering its budget a month past deadline, the Biden administration demonstrated a lack of commitment to taking the budget process seriously from the get-go. Biden's budget presents a vision for a bigger, more intrusive federal government that cares more about redistributing the figurative economic pie than growing everyone's slice.

Biden's budget raises taxes on people at every income level and in every state. On paper, the budget proposes $4.7 trillion in tax increases on businesses and people, raising U.S. income taxes to some of the highest rates in the developed world. The budget is ominously silent on what happens at the end of 2025 when taxes are set to increase automatically for most taxpayers. These increases could cost the public another $2 trillion or more.

New taxes on income and investment mean that people will work, invest, and innovate less. Subtracting from the engines of economic growth is no way to advance opportunity and prosperity. The budget's rosy economic assumption of a growing economy and falling inflation is even less likely to come true under the crushing weight of these new taxes.

The proposal includes raising top income tax rates to 39.6% from 37%, and it almost doubles the top capital gains tax rate by taxing capital gains as ordinary income. The budget hits investment income with still more taxes by expanding and raising Obamacare's net investment income tax, quadrupling the new 1% stock buyback tax , increasing taxes at death by ending step-up in basis, and proposing a complicated and untested tax on unrealized capital gains.

On top of the individual take hikes, Biden proposes raising the corporate income tax from 21% to 28%, restoring America's unenviable title as the highest corporate tax rate in the developed world. Ultimately, workers will pay the price. Workers pay between 75% and 100% of the cost of corporate tax increases through lower wages and slower pay increases .

And while the president signals a willingness to touch one of the major entitlement programs, his budget does so with misguided and harmful tax increases. The plan fails to address the underlying causes of unsustainable spending growth: a third-party payer system that contributes to excess cost growth and an increase in the number of program beneficiaries that far outpaces the number of workers who subsidize their benefits.

Congress and the executive branch should work together to reduce Medicare cost growth while increasing choice and competition. This would put spending on a more sustainable path and improve the quality of care.

Instead of advocating effective structural reforms, the president proposes a general revenue transfer, shifting money from other parts of the budget toward temporarily shoring up the Medicare trust fund. That is merely a Band-Aid fix on a gushing wound that's bleeding deficits. It would also make real Medicare reforms that much harder to accomplish.

Congress should take note of the policy areas in which Biden is willing to consider reforms and counter with a credible budget plan that addresses the growth in unsustainable deficit spending, sensibly reforms entitlement programs, and enables more rapid economic growth. Unfortunately, Biden's budget doesn't give them much to work with.

Romina Boccia is the director of budget and entitlement policy at the Cato Institute. Adam N. Michel is the director of tax policy studies at the Cato Institute.